



## State of Utah

### Department of Natural Resources

ROBERT L. MORGAN  
*Executive Director*

### Division of Oil, Gas & Mining

LOWELL P. BRAXTON  
*Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

April 19, 2004

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 1836

Ray Gottling  
Kennecott Barneys Canyon Mining Company  
8200 South 9600 West  
P.O. Box 311  
Bingham Canyon, Utah 84006-0311

Subject: Partial Surety Release, Kennecott Barneys Canyon Mining Company  
(KBCMC), Barneys Canyon Mine, M/035/009, Salt Lake County, Utah

Dear Mr. Gottling:

We have completed our assessment of your request for a partial surety release for the Barneys Canyon Mine. During the summer of 2003, KBCMC requested a site inspection to evaluate the possibility of reducing the amount of reclamation surety presently held for the Barneys Canyon Mine. The last surety estimate calculated for this mine, dated December 12, 2001, was \$4,604,000 in 2006 dollars. The proposed surety reduction would effectively reduce the required surety amount for the Barneys Canyon Mine to \$3,631,200 (escalated to 2009 dollars).

KBCMC has more recently surveyed the mine area affected by mining and reclamation operations. This survey indicated that the disturbed area totaled 1287 acres (242 acres of which was released in 2001). Presently, the permitted acreage for this site is 963 acres because reclamation activities increased the total affected area to be reclaimed totaled 1045 acres. Activities including access to soil storage areas, regrading dumps, haulroads and pit slopes have resulted in this additional acreage being disturbed. In some areas with very steep slopes, additional disturbance was necessary to allow for slope reduction to acceptable angles.

All haulroads, dumps, repositories, and stockpiles, related to the mining portion of the site, have been recontoured and a soil cover applied. These

Page 2  
Ray Gottling  
M/035/009  
April 19, 2004

reclaimed areas were seeded at the time of the completion of the earthwork, but the revegetation portion of the bond will continue to be held until revegetation success is achieved. Overall, we have been quite impressed with the recontouring efforts observed during our site inspections. The work completed to date has been performed in a very professional manner and reflects the commitment and enthusiasm of KBCMC, and especially Mr. Slothower. **The Division hereby grants KBCMC's request for a partial reduction in surety to \$3,631,200 (year 2009 dollars), based upon the successful completion of the recontouring work performed on certain portions of the Barney's Canyon mine site.**

Our acceptance of this proposal will reduce the remaining bonded acreage at the mine still requiring complete reclamation to 380 acres. The revegetation portion of the bond, for the reclaimed acreage, will be retained until the 70% revegetation success standard is achieved. The processing facilities, maintenance shop and the heaps are the main components of the mine that remain to be reclaimed.

An updated reclamation surety cost estimate is attached for your use. You may provide a rider to reduce the existing surety bond, or you may choose to post another form of surety. Please contact Joelle Burns at (801) 538-5291 to obtain the current bonding forms, or you may access the bonding forms online at: [www.ogm.utah.gov](http://www.ogm.utah.gov). You will also need to replace the existing Reclamation Contract (Form MR-RC enclosed).

If you have any questions concerning this letter, please contact Wayne Hedberg, or Doug Jensen at (801) 538-5286, and 538-5382, respectively. Thank you for your patience and your continued commitment to return the land at the Barneys Canyon Mine to a useful and productive post-mining land use.

Sincerely,



Lowell P. Braxton  
Director

jb  
Attachment: Surety cost estimate  
Enclosure: MR-RC  
cc. Wayne Hedberg, OGM  
Doug Jensen, DOGM  
O:\M035-SaltLake\M0350009-BarneysCyn\Final\bondreduction-04192004.doc



State of Utah

Department of  
Natural Resources

ROBERT L. MORGAN  
*Executive Director*

Division of  
Oil, Gas & Mining

LOWELL P. BRAXTON  
*Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

April 19, 2004

TO: Lowell P. Braxton, Director ✓  
THRU: Mary Ann Wright, Associate Director *MAW*  
THRU: Wayne Hedberg, Permit Supervisor *DWH*  
FROM: Doug Jensen, Senior Reclamation Engineer *DJ*  
SUBJECT: Request for Approval of Partial Surety Release, Kennecott Barneys Canyon Mining Company, Kennecott Barneys Canyon Mine, M/035/009, Salt Lake County, Utah

On January 17, 2003, Kennecott Barneys Canyon Mining Company (KBCMC) filed a request with the Division to perform an inspection of the Barneys Canyon gold mine. The operator requested a partial surety bond reduction and a release from the Division for recent reclamation earthwork performed at the mine. An inspection was performed on June 5, 2003 (inspection report attached). Recent mapping by KBCMC indicates the total disturbed area at the site increased from 1225 to 1287 acres during reclamation. KBCMC explained that the additional disturbed acreage was not created during active mining operations, but was the result of their recent regrading/recontouring activities. As a result of the additional acreage disturbed at the site, a total of 1045 acres remained to be reclaimed. (A varianced area of 151 acres for highwalls and 91 acres that was reclaimed and released in 2001 reduces total acreage that will require reclamation at the site from 1287 to 1045.)

Since that 2001 inspection, an additional 665 acres of the disturbed area have now been reclaimed according to the approved reclamation plan. The Division staff has evaluated the regrading and recontouring work performed by KBCMC and has determined it to be satisfactory. Accordingly, we recommend acceptance of KBCMC's request to release that portion of the reclamation surety held for this purpose. We also recommend that sufficient funds be retained to insure vegetation success on the reclaimed acreage (665 acres @ 40% of reclamation estimate). Full reclamation surety should be retained for the remaining unreclaimed acreage (380 acres) as well.

Surety Release Request Memo

Page 2 of 2

M/035/009

April 19, 2004

A revised reclamation surety estimate has been prepared (copy attached) reducing the present bond amount from \$4,638,000 in 2006 dollars to a new total of \$3,631,200 escalated to year 2009 dollars. If you are in agreement with releasing the earthwork portion of the surety bond on the 665 reclaimed acres, and retaining full reclamation surety for the remaining 380 acres, please sign the attached letter to the operator authorizing this reduction in surety. Thank you for your consideration of this request.

DJ:jb

Attachments: Letter to KBCMC

6/5/03 Inspection memo

Revised cost estimate

O:\M035-SaltLake\M0350009-BarneysCyn\Final\Dir-sign-mem-04192004.doc

*Agree LRA 4/26/04*



## State of Utah

### Department of Natural Resources

ROBERT L. MORGAN  
*Executive Director*

#### Division of Oil, Gas & Mining

LOWELL P. BRAXTON  
*Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

June 6, 2003

TO: Minerals File

FROM: Doug Jensen, Senior Reclamation Engineer *DJ*

RE: Site Inspection, Kennecott Barneys Canyon Mining Company, Barneys Canyon Mine, M/035/009, Salt Lake County, Utah

Date of Inspection: June 5, 2003  
Time of Inspection: 9:00 a.m.  
Conditions: Sunny, warm, breezy  
Participants: Gerald Slothower, Jerry Austin - Barneys Canyon Mine; Doug Jensen, Lynn Kunzler - DOGM

#### **Purpose of Inspection:**

The mine had requested an inspection of earthwork completed at the mine since the Division's December 2001 release of 91 acres. A variance for the reclamation of 151 acres of highwalls was approved when the permit was issued. The additional reclamation has been completed since the termination of the mining efforts at the site.

#### **Observations:**

Reclamation completed to date at the site continues to reflect a very professional approach; Mr. Slothower should be commended for his enthusiasm during the completion of this work.

All the haulroads, dumps, repositories, and stockpiles, related to the mining portion of the site, have been recontoured with soils applied. All resoiled areas were seeded last fall after the resoiling efforts had been completed. Growth in the areas that were seeded last fall looks good, considering the lack of precipitation, although it is apparent that several portions, within these areas, will require reseeding.

There were several areas of erosion due to the lack of drainage; Mr. Slothower indicated that work would be initiated to correct these problems.

#### **Conclusions and Recommendations:**

Overall the earthwork work portion of the reclamation completed to date looks very good. Barneys' request to release the earthwork portion of the bond, for the areas that have been reclaimed, should be approved. This inspection will result in the partial release of a total of 665 acres of the site; these areas will be monitored for revegetation success before complete release is approved.



Page 2

Kennecott Barneys Canyon Mining Co

M/035/009

Inspection Date: June 5, 2003; Report Date: June 6, 2003

Of the total disturbance at the site of 1287 acres, only a total of 380 acres, which includes the leach pads and process related facilities, remain to be completely reclaimed.

jb

cc: Ray Gottling, Kennecott Barneys Canyon Mine

O:\M035-Salt Lake\M0350009-BarneysCyn\Inspections\insp-06052003.doc



## SURETY ESTIMATE UPDATE

DATE 07/29/03

Kennecott Barneys Canyon Mining Company

Barneys Canyon Mine FILE # M/035/009 Tooele County

Prepared by Utah Division of Oil, Gas &amp; Mining Last Update April 4, 2001

## DESCRIPTION:

-Reclamation Estimate base amount calculated in 1994-\$

-91 acres was reclaimed and released previously from any further reclamation liabilities.

-Pit highwalls constitute a total of 151.1 acres of disturbance which had received a variance from any reclamation liabilities

An additional 62 acres of disturbance occurred during reclamation bringing total disturbance to 1287 acres.

-6/5/2003 - 665.0 acres of the total disturbance released at 60%-- Earthwork Completed - Seeding Cost Retained

-Escalation factors through 2003 are actual Means Historical Cost Indices

-Total disturbed area = 1287 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^n$	1993	0.0261	\$0
	1994	0.0321	\$3,812
	1995	0.0193	\$3,886
F = Future Sum	1996	0.0242	\$3,980
P = Present Sum	1997	0.0236	\$4,074
i = Escalation Factor	1998	0.0502	\$4,278
n = number of periods	1999	0.0191	\$4,360
	2000	0.0244	\$4,466
Three Yr Average = 2.59%	2001	0.0421	\$4,654
Used to Project 5 Yrs	2002	0.0202	\$4,748
From the Year 2004	2003	0.0155	\$4,822
	2004	0.0259	\$4,947
	2005	0.0259	\$5,075
	2006	0.0259	\$5,206
	2007	0.0259	\$5,341
	2008	0.0259	\$5,479
	2009	0.0259	\$5,621

Updated \$/Acre (2009-\$) \$5,621

Acreage total requiring reclamation at Barneys - 1/1/2003 = 1045acres\*

Previous Surety Amount escalated to 2006-\$ \$4,638,000

On January 17, 2003, the Division received a request to inspect 665 acres for possible release for the earthwork portion of the bond.

June 5, 2003 the Division performed an inspection & approved this request.

Release of 60% of bond estimate has been approved for 665 acres,

40% of surety estimate will be held for revegetation success on this area

This approved release will reduce the acreage within the mine requiring total reclamation to 380 acres.

**Surety Estimate Escalated to 2009\$**

Reclamation liabilities for 665 acres reduced by 60%	\$1,495,186
380 acres of disturbance bonded at 100%	<u>\$2,135,980</u>
	\$3,631,166

**Updated Surety Amount (rounded 2009-\$) \$3,631,200**

\*1287 acres of total disturbance -

-151 acres of highwall have received a variance to reclamation

-91 acres released previously

1045 acres of disturbance to be reclaimed